



## carolina forum

### New Towns in Limbo: An Interview With Soul City Developer, Floyd B. McKissick, Sr.

The 1968 Urban Growth and New Communities Act (Title IV) and, subsequently, the 1970 Act (Title VII) brought a new development movement into focus. In the five years following the first piece of legislation, the U.S. Department of Housing and Urban Development (HUD) approved thirteen new communities for financing under the Title IV and Title VII programs. Title VII was, in effect, a continuance of Title IV's basic provisions with an added emphasis on federal commitments. Briefly, the goals of Congress for Title VII were 1) to encourage well planned, large-scale developments which related to the planning and growth objectives of the area; 2) to encourage the development of relatively self-sufficient communities that would provide job opportunities to their residents, as well as modern educational and health care delivery systems and cultural opportunities; 3) to provide jobs and housing facilities open to all regardless of race, creed, or color, and for all income groups; 4) to encourage innovation and improve efficiency; 5) to help revitalize older urban centers through "town-in-town" development; and 6) to encourage growth in areas losing population, and to help discourage emigration from predominantly rural areas to already over-burdened central cities, by encouraging growth in selected small communities in such areas.

Title VII was intended to encourage a maximum of private involvement in the development of new communities. As such, it was designed to be broad and flexible enough to make almost any kind of institutional arrangement eligible for assistance provided that it was satisfactory to the Secretary of HUD. Congress recognized that some developments would require a private-public partnership; a public agency would provide necessary social services and a private concern would handle necessary housing construction, shopping, and industrial development. Since new town development demands a large investment in land and infrastructure, in addition to the cost of holding land through-

out the ten to thirty year construction period, the private developer must have the backing of a financier and patient money to sustain the project until positive cash flow is produced. More often than not, the federal government, specifically the New Community Development Corporation of HUD, is the financier who can make that long-term money available. Title VII recognized the financial demand in the early years of development and provided for loans to developers to assist them in meeting interest payments of their indebtedness, repayment of which can be deferred for fifteen years. There were loan guarantees, interest differential grants, public service grants, supplementary grants, and special planning assistance which could be made available to help achieve a viable, stable existence for the new communities. Title VII was a major commitment by the federal government to an effort that was given only encouragement under previous legislation (Title IV and Title X).

Of the thirteen new communities financed by HUD, seven have defaulted on their guaranteed loans and expectations. Park Forest South (Illinois), Cedar-Reverside and Jonathan (Minnesota), Ganada and Reverton (New York), Newfields (Ohio), and Flower Mound (Texas) were not given continued aid through HUD's framework. Continuing with future housing grants by HUD, as announced in September, 1978, were Maumelle (Arkansas), Shenandoah (Georgia), St. Charles (Maryland), Harbison (South Carolina), The Woodlands (Texas), and Soul City (North Carolina). The most money backing given to a town by HUD was for The Woodlands, in Texas (\$50 million); the least amount was for Harbison, South Carolina (\$13 million that was made fully available). Soul City received the next least amount in guaranteed loans, \$14 million, of which it has drawn only \$10 million. The majority of the new towns are satellite communities around major growth centers, or new "towns-in-town"; Soul City, located in a rural, economically depressed area, is the only free-

standing new town project and the only minority-headed development. As such, Soul City, more than any other of the HUD financed new towns, fulfills the goals set forth by Congress in the enactment of Title VII. The social objectives are as important as financial viability in judging the worth of experimental models, and they are of primary importance in the early years.

Even though plans for the freestanding new community of Soul City were announced in January, 1969 and application was submitted to HUD in 1970, it was not until June, 1972 that HUD made the commitment to guarantee \$14 million worth of bonds for the development. It was March, 1974 when the bonds were made available and \$5 million were actually sold at that time. In December, 1976 a second \$5 million was borrowed for a variety of projects in a three-county area, including a regional water system servicing over 50,000 users and a HealthCo clinic currently treating 60 outpatients per day in a two-county area. Soul City still lacks sewer capacity but this will be remedied by a new sewage treatment plant planned for Warren County which will benefit all the county's residents. Until adequate facilities are completed, further development of Soul City will be difficult. Good recreational facilities are available at Soul

City, the only ones of public access in the county, and a fire station is nearly complete, both of which serve basic needs in any community.

In March, 1975 Senator Helms of North Carolina accused the Soul City Company of misappropriation of funds and lagging behind in development. A General Accounting Office audit was requested; after spending \$500,000 and stopping further development at Soul City until December 1975, Soul City was given a clean bill of accountability. Much unfavorable and hostile publicity was generated and a general lack of information was found outside the area. Further pressures and proposals to bar more loans to Soul City came this year with a HUD decision to foreclose on Soul City and Newfields, Ohio. Soul City was judged not financially feasible, with inadequate security for the \$10 million it held in bonds. In September, the foreclosure notice was released, with somewhat more warning than was received for the first announcement. Floyd McKissick decided to fight the issue in court, and, after a preliminary hearing, the two parties were given until 26 November to come to a settlement. A discovery motion was granted the Soul City developer to find out what correspondence HUD had received that might have influenced its decision to act toward foreclosure.



*Soul City developer Floyd B. McKissick, Sr.  
Photo by Siddell.*

carolina planning: Are Soul City's problems comparable to other new towns'?

McKissick: Yes and no. Many of the other towns have defaulted on their loans from the federal government and have been foreclosed, which is comparable to what HUD wants to do with us, but we haven't defaulted yet. They can use their power to make us default so they can create an opportunity to foreclose.

c p: How can they make you default?

McKissick: The whole process under the law is making us a viable and an acceptable risk under the government's terms. Once we develop the financing mechanism plan where the government puts in so much money per contract, we are dependent on them and if they withdraw the money, of course we are in financial distress and can't pay the bills. And too, we have no right to go anywhere else to draw that money or to create any other liens on the property because the government has the first one. We're at their mercy.

c p: So they withdraw the funds?

*McKissick:* They can disapprove a budget that we submit for approval, then we'll have no operating capital.

c p: This discovery motion that you were granted will enable you to find out what had bearing on HUD's actions and announcements in June?

*McKissick:* On 28 June, when they made the announcement, we were of the assumption we would get monies for speculative buildings so we could continue the development of the projects. We all knew we had a product to market but it couldn't be done without the sewer, utilities, railroad spur, and other things necessary for industrial development. The real lack of utilities is what has made these counties backward over a period of years. They have been following patterns and practices begun in the late 1700s. Looking on the map you'll see hundreds of towns living in this 19th century syndrome; they really don't exist except in name because agri-businesses have just about absorbed them. So we must develop excellent farm practices with the right equipment and use the labor here to change things.

c p: That generally requires capital up front.

*McKissick:* When I came to this economically depressed area, people thought of me as a total fool for bringing the new town concept down here. I was associated with James Rouse in



*Social objectives are of critical importance when working with experimental models.*

*Photo by Charles Weiss.*

Maryland and my whole staff went there for training in spite of of common thinking that it was a foolish thing and that this place was useless, desolate, and would never be developed. But with basic initial funding for the necessities, it will develop almost by itself.

c p: What kind of training did you undergo there?

*McKissick:* General new town development. He is a developer of many shopping centers, new towns, and new communities. He may probably be considered the father of American new towns.

c p: Columbia, Maryland, the new town under his management, is one of the few successful new towns. Isn't it wholly privately developed?

*McKissick:* Yes, it is a successful new town without using federal money and it's a matter of accounting processes as to how one does it. That's one reason Soul City can't be judged a failure because it is planned over a period of thirty years. How can they abort it after only ten years from its conception? We couldn't actually get anything started until 1974; then we didn't have houses and couldn't do that until May 1976.

c p: Because of a lack of facilities?

*McKissick:* Not the water and the sewer, but the Mandate of HUD kept us from building. We couldn't sell houses or be involved with building them due to their definition of us as land developers. My first plan when I went to Washington with this program was to get an allocation for fifty housing units from the Department of Agriculture. That was when we first started. We were announced at a joint press conference with Orville Freeman, then Secretary of Agriculture. Then the other agencies and acts got into it along with the Agriculture Department. And it was decided that since HUD had jurisdiction over the enabling Act and that it was more comprehensive, all the things required could be provided through them rather than part here and part there. That's the reason we were with HUD. We never even went



there directly - the Agriculture Department referred us. They were ready to give us the housing units and that's what I had gone after. They would have been used for the rural population; we would have set up a corporation and used a house as an office, and put a mini shopping center with them. It takes time to build things up. This was a bad place to come for a quick buck.

c p: But over the long range you expect to make money?

*McKissick:* This could be profitable. The Soul City Co. is set up to be marginally profitable after seven or eight years, but that's if the area achieves great value. James Rouse's companies don't always make money either.

c p: Is Soul City modeled after his development?

*McKissick:* It's the same kind of partnership, but Columbia has no federal assistance. It's a private development with freer decisions. Here we are very restricted as to how we spend our money. For example, this is a very nice building (Soultech I, 73,000 square feet), but had it been left to me, I would not have built it of this size and structure. Housing would have been first, then smaller industries could have set up.

c p: If HUD does pull out, would this be a viable private development?

*McKissick:* Yes. If the government wants to pick up their marbles and go home, OK, but don't pick up my marbles! I'll stay here and continue doing what I said I would do. I've spent ten years of my life here and the time and resources of my family.

c p: Is it feasible from a capital availability standpoint?

*McKissick:* I think we can raise the capital; we've gotten letters of support from all over the country.

c p: Would that actually be better then, as it wouldn't be so restrictive?

*McKissick:* That's a point. The government may give a lot of money, but they

tell you how to use and misuse it and blame you for it. They never know the local political structures and nuances, the Southern Who's Who, and they don't make allowances for those things. With them calling the shots, we can't deviate from a pattern and it allows no flexibility. That's a great criticism of government run operations. In some instances, I would have practically given away certain land to key people in order to create value in land to bring people in as inducements. Hell, I wouldn't hire a big company out of California to do a study here (as was indeed the case). I would go to the Research Triangle or Raleigh or Durham. There's talent and knowledge there. That's a key element in this whole project - creating jobs and boosting the economy regionally.

c p: Even though HUD is saying a cut-off of funds is eminent, you are saying this project will go on?

*McKissick:* I'm not ready to give up by any means. The thing is, we have accomplished our objectives. No one believed we would do this much. Housing, we get financed in spite of HUD. They were supposed to give us 100 units of housing, but didn't. That has impacted upon our industrial development, i.e., affected us negatively. Where are we going to put the people who would work in a factory here? These people we are trying to work with are all hung up with which comes first. If you agree under this Act (Title VII) to go forward, all things move concurrently. And you save money like that too.

c p: Has HUD's announcement affected adversely your continuing efforts to attract industry to Soul City?

*McKissick:* It was a great awakening for these people who had read one thing in the paper to come here and find something else. They were astonished at how unfarily things were represented.

c p: What do you think of federal policy toward new towns?

*McKissick:* It's a good program and it can work. It's on the books and it'll be back again. It's a program that re-

quires innovation and can't be administered by bureaucrats. It must be a consolidated effort too, not an on-again-off-again thing. The Europeans have done it successfully - even in India and Africa, there are new towns, so it really isn't new. The quality is what is important. If the government put some of its contracts with industries into a new town - if they said to Chrysler, see what the capabilities are of this new town to produce our tanks or whatever, the whole new communities program would benefit from the 'business of America.' With the cooperation of federal agencies, we could do it.

c p:

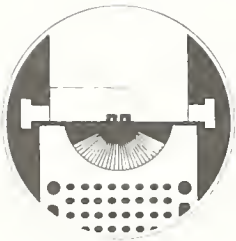
Do you have other specific ideas on how federal policy should be changed?

*McKissick:* They should get someone out of the industry to come in and do it. But once that's done, someone is yelling 'conflict of interest.' You have to examine if it's to the detriment or benefit of the man and the town. Someone with an interest wants it to work more and will work harder for it. I've got an interest here and I always work

overtime; I believe in what I'm doing, otherwise I wouldn't be here. If I wanted just to make money, God knows I wouldn't be here. There's far more money elsewhere. I am concerned and hope we can reach a satisfactory agreements with HUD so that they can get out and we can continue. The government can't have lost money according to the mathematics. The grant monies would have been spent at any rate and the guarantees will be justified by only one industry that provides 300 jobs.

*This interview was conducted on 19 October, 1979 at Soul City, North Carolina. In December, Perdue, Inc., of Salisbury, Maryland, a poultry products industry, announced the acquisition of 500 acres just south of Soul City, in Manson County. There will be an initial investment of \$20 million, with an estimated 1000 jobs. Although this seems fortunate, a tentative agreement for the Federal government to acquire Soul City was reported in the Durham Morning Herald (12 December, 1979) to take effect 8 January, 1980.*

*Forrest G. H. Sadler  
Associate Editor  
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## Letters

### THE GREENVILLE CCEM

Last year, Greenville, N.C. was chosen as one of twelve cities in the nation to be awarded a grant from the U.S. Department of Energy for development of a Comprehensive Community Energy Management Plan (CCEM). Although there are a number of cities (Davis, Calif.; Portland, Ore.; Franklin County, Mass.) in the forefront of energy planning to provide models for CCEM plan development, there has been only limited experience with such programs in North Carolina. This CCEM program, which is being directed by Greenville Utilities, will provide the opportunity to systematically consider energy management strategies tailored to Greenville's peculiar needs. Greenville was the smallest city chosen for the DOE program, and the only CCEM program to be administered by a utility company. This relationship carries with it some interesting implications.

Traditionally, utility companies have been charged with the responsibility of providing as much energy as needed at a regulated rate. If keeping pace with increasing consumption requires the construction of additional generating capacity or increased prices, the utility companies have been willing, and some believe anxious, to expand their services. The Tennessee Valley Authority (TVA), a federally-managed utility, was the first to demonstrate that the promotion of energy conservation and decentralized energy services can be most cost-effective for both the utility and the customers.

Greenville Utilities, which is a municipally-owned utility responsible for purchasing and distributing electricity and natural gas for the Greenville area, has had an Energy



*Conservation is an important part of an energy management strategy.*

*DOE photo by Jack Schneider.*

Conservation Division since the mid-1970s. Under the direction of the Conservation Office, a peak-load management program was implemented to encourage customers to reduce electrical consumption during peak hours. Since Greenville Utilities simply purchases and distributes, rather than generates electricity, it will have much more flexibility in choosing and promoting alternative energy systems than most private utilities.

The CCEM program follows a logical sequence of steps. The first step was to find out how much and what type of energy the Greenville Community is currently using. The energy audit provides the information needed to target attention on the most vulnerable and energy inefficient sectors. For instance, Greenville energy audits, completed at the end of 1979, showed that the residential sector accounted for one-third of the total community energy consumption in 1978. Transportation, which includes personal, commercial, and local government automobile travel, was the second largest consuming sector, using 23% of the total energy input. This differs from the statewide and national patterns of energy consumption, which are both dominated by the industrial sector. The results, however, are not surprising since Greenville has a relatively low industrial concentration and a large university-associated population (East Carolina University).

More interestingly, we discovered that 83% of the total residential energy consumption (1,590 billion BTUs/year) is used in single-family detached households, and over half of

that energy is being provided by oil. This information makes it obvious that energy conservation measures and promotion of renewable energy sources, such as passive and active solar, wind, wood, and other biomass sources, could make a significant contribution to the goal of energy self-reliance in Greenville.

Now in the second phase of its CCEM program, Greenville is setting community goals and objectives for managing energy use. By eliciting community input about concerns and expectations regarding energy, we hope to narrow the scope of possible alternatives to those policies which are tailored to the attitudes of Greenville's residents. To be workable, the community energy plan must be accepted.

At the completion of that process, we will begin an indepth impact analysis on a number of promising alternative strategies. Possible strategies include district heating and cooling, a private or municipally-owned co-generation plant, changes in land use planning policies and regulations to allow for solar easements, revision of the transportation network, and promotion of pedestrian and bicycle traffic. Each option will be analysed to determine what changes in consumption patterns are needed, what it will cost, what impact it will have on the community's economy and environment, and finally, how much non-renewable fuel it will save. The final step in Greenville's CCEM program will be the adoption of an implementation plan which outlines the organization and tools necessary to carry out the final selection of strategies.

As logical and straightforward as the process may seem, our experience as consultants for Greenville Utilities CCEM program has made us realize that creating an energy efficient society is much more than a step-by-step process. Greenville, like most other American cities, has some "unplanning" to do. They must unplan the community development and consumption patterns that were based on cheap energy of the past. Greenville Utilities must redefine its role from energy provider to the role of provider and promoter of energy efficient services, both centralized and decentralized. Despite the pains of learning, Greenville's program is one that planners in North Carolina and the Southeast should follow closely. For those interested in the development and outcome of the CCEM program, contact Reese Helms, Director of the Conservation and Management Division of Greenville Utilities.

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